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Approved By:
Hugh Maginnis, Agricultural Counselor

Prepared By:
Rebecca Gowen, Agricultural Specialist

Report Highlights:
The wheat production estimate for the 2012/13 Australian crop remains at 22.077MMT. Export estimates also remain at 18MMT but uncertainty surrounds the export figures due to export infrastructure challenges.
Final figures from the barley harvest indicate higher than expected yields which has in turn led to an increase in the total barley production estimate for 2012/13 to 7.1MMT.
Sorghum production estimates for 2012/13 have been further reduced to 1.7MMT to reflect smaller final planting areas and continuing adverse seasonal conditions.

Commodities:

Wheat

Barley

Sorghum

Rice, Milled

Seasonal conditions

Since the last Grain and Feed Update seasonal conditions across Australia have remained varied with some areas along the east coast receiving very high rainfall and flooding while other areas have remained very dry. The 2012/13 Australian summer has been confirmed as the hottest on record with new extreme temperature records set in every state and territory.

This trend has continued with southeastern Australia experiencing a further extended heat wave during the first two weeks of March. Many parts of South Australia, Victoria and Tasmania experienced multiple days of temperatures up to 10 degrees Celsius above average and nights up to 6 degrees Celsius above average minimums.

The preliminary March to May outlook is for higher than normal rainfall across cropping areas of South Australia, western New South Wales (NSW), south-west Queensland and some areas of Western Australia. Tasmania, Victoria and the majority of the Western Australian wheat belt are expected to remain drier than normal. However, model accuracy is low at this point and forecasts are likely to change.

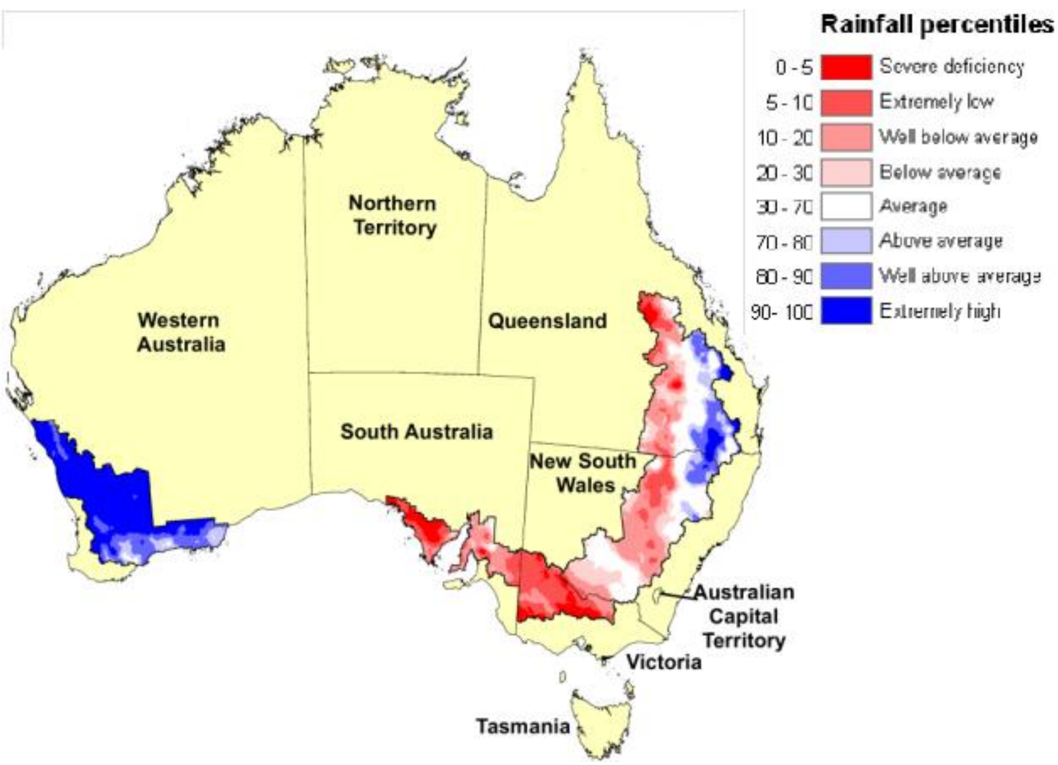

Figure 1 Rainfall percentiles for major cropping regions, November 1, 2012 to January 31, 2013

Winter crops

Wheat

The 2012/13 wheat harvest is complete and final numbers indicate total production of 22.077MMT, a slight revision of an estimate which is now more accurate than the previous one. The final harvested area was 13.3 million hectares with an average yield of 1.66t/ha. As discussed in the January update, protein levels for the 2012/13 crop were relatively low across most areas due to dry growing conditions but yields were generally better than expected.
Planting of the 2013/14 crop is still at least six weeks away and while eastern parts of New South Wales and Queensland have received good rain in recent weeks, soil moisture levels in western and southern New South Wales and in Victoria are well below average. The majority of the Western Australian wheat belt has also received reasonable rain. Assuming overall an increase in planting area to 13.5 million hectares and improved yields compared to 2012/13 (1.77t/ha), total wheat production for 2013/14 is likely to be in the order of 24MMT.

Exports for the first four months of the 2012/13 local marketing year are 5.7MMT, nearly 20 percent lower than the same period in 2011/12 (7.1MMT). This reflects both lower production and challenges associated with export capacity allocations.

Bulk export terminals in Australia are owned by six large companies but as the wheat export industry is now fully deregulated these companies are required to provide access to their port facilities for other grain exporters. In Western Australia (which is predominately export oriented) and South Australia an auction system has been designed in which grain exporters bid to secure terminal space for a particular period. The exporter must then purchase grain to fill the allotted 'slot' or pay a penalty fee. However the auction process has proven to be cumbersome and time consuming. In Western Australia the auction was only resolved after several delays while the South Australian system collapsed altogether and reverted to a 'first-come, first served' basis. In the eastern states Graincorp also allocates the majority of space on a 'first-come, first-served' basis but does sell some capacity up to three years in advance. The cost and risk of reserving this space is seen by some as a barrier to smaller exporters.

At this time the price differential between the domestic and the world market is about $25 per ton. However, the penalty fee for not filling export commitments is up to $40 per ton therefore exporters are continuing to purchase grain to meet export commitments. Industry estimates indicate that total export commitments for 2012/13 are currently about 20MMT but actual exports will depend on the continuing degree of price differential between domestic and world grain prices and the cost of defaulting on export commitments. As a result of these challenges Post estimates that exports are more likely to be in the order of 18MMT.

Under the *Wheat Export Marketing Amendment Act 2012* which finalized deregulation of the Australian wheat export industry a voluntary code of conduct for allocating export capacity is to be developed.

However there is still disagreement amongst industry as to the best way to achieve this and recommendations from the appointed committee are not due until July 2014.

Wheat Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	13,963	13,963	13,300	13,300		13,500
Beginning Stocks	8,128	8,128	6,977	7,206		4,661
Production	29,923	29,923	22,000	22,077		24,000
MY Imports	123	134	120	120		120
TY Imports	124	134	120	120		120
TY Imp. from U.S.	0	0	0	0		0
Total Supply	38,174	38,185	29,097	29,403		28,781
MY Exports	24,692	24,644	16,500	18,000		20,000
TY Exports	23,041	23,041	19,000	18,000		20,000
Feed and Residual	3,200	3,135	3,500	3,500		3,250
FSI Consumption	3,305	3,200	3,340	3,242		3,250
Total Consumption	6,505	6,335	6,840	6,742		6,500
Ending Stocks	6,977	7,206	5,757	4,661		2,281
Total Distribution	38,174	38,185	29,097	29,403		28,781
1000 HA, 1000 MT, MT/HA						

Barley

Higher than previously forecast yields and an increase in the area planted brought the total barley crop for 2012/13 up to nearly 7.1MMT. Yield quality was also reasonably high with approximately 60 percent making malting grade.

Exports for 2012/13 are estimated at 3.8MMT, a reduction of nearly 30 percent from the 2011/12 year which reflects the decrease in production and a sluggish start to exports in 2013.
Barley suffers from the same forecasting constraints as wheat at this time with planting of the 2013/14 crop still some weeks off. A modest increase in planted area to 3.9 million hectares and an improvement in yields up to 1.9t/ha (close to the 5-year average) would result in total production of 7.4MMT in 2013/14.

With seasonal conditions still variable and low soil moisture levels in several key cropping areas many growers will hold off on making planting decisions until closer to the planting window.

Barley Australia	2011/2012	2012/2013	2013/2014

	Market Year Begin: Nov 2011		Market Year Begin: Nov 2012		Market Year Begin: Nov 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,774	3,774	3,875	3,875		3,900
Beginning Stocks	1,004	1,004	677	677		639
Production	8,349	8,349	7,000	7,062		7,400
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,353	9,353	7,677	7,739		8,039
MY Exports	5,376	5,376	3,800	3,800		4,100
TY Exports	5,819	5,804	3,800	3,800		4,100
Feed and Residual	2,100	2,100	2,100	2,100		2,100
FSI Consumption	1,200	1,200	1,200	1,200		1,200
Total Consumption	3,300	3,300	3,300	3,300		3,300
Ending Stocks	677	677	577	639		639
Total Distribution	9,353	9,353	7,677	7,739		8,039
1000 HA, 1000 MT, MT/HA						

Summer crops

Sorghum

A severe lack of summer rainfall reduced the total planted area for the 2012/13 sorghum crop to 577,000 hectares, 16 percent below the 10-year average.

Prior to harvest 2012/13 beginning, forecasters were expecting an average yield of 2.9t/ha for sorghum across the growing area. Extreme temperatures early in the season affected early sown crops, some of which were then impacted by flooding. These events have caused some complete losses but the greater impact is expected to be quality downgrades from the late rain and a delayed harvest which also increases the risk of disease.

As a result of the smaller area and weather affected yields, total production for 2012/13 is expected to be only 1.7MMT, 20 percent lower than the 10 year average and 25 percent lower than 2011/12.

Dry conditions have encouraged cattle producers to sell younger cattle rather than finish them on grass which has reduced prices for feeder cattle. This is expected to increase the demand for feed grain thus increasing the forecast feed and residual usage for 2012/13to 900,000tons (up 50,000tons from the previous estimate).

Many growers had planned to plant sorghum this year in place of cotton to take advantage of higher grain prices. Many of these planned plantings did not eventuate due to the lack of rainfall but long term seasonal outlook is for average rainfall. With the short to mid term outlook for cotton prices relatively subdued it is likely that the area planted to sorghum will increase in 2013/14. A return to average planted areas (680,000 hectares), even with slightly less than average yields (2.9t/ha) would result in a total production of 2.0MMT for 2013/14.

Sorghum Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	657	657	600	577		680
Beginning Stocks	361	361	229	267		162
Production	2,223	2,223	1,700	1,700		2,000
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,584	2,584	1,929	1,967		2,162
MY Exports	1,250	1,112	900	900		1,150
TY Exports	1,185	1,100	1,000	1,000		1,150
Feed and Residual	1,100	1,200	850	900		900
FSI Consumption	5	5	5	5		5
Total Consumption	1,105	1,205	855	905		905
Ending Stocks	229	267	174	162		107
Total Distribution	2,584	2,584	1,929	1,967		2,162
1000 HA, 1000 MT, MT/HA						

Rice

The Australia rice harvest for the 2012/13 crop has just begun, with estimates of a total crop of just over 1 MMT, an increase of 13 percent from the previous crop. High temperatures earlier in the season have reduced expected yields to 8.9t/ha but still an increase of 3 percent on average yields from 2011/12.

Imports are expected to increase slightly from the previous estimate to 100,000MT and exports to remain steady at 500,000MT. Imports for the 2011/12 season were increased by 1000MT from the previous estimate due to the availability of final official figures.
Over the last three seasons, since the ending of the drought, the main rice processor in Australia has been steadily re-claiming market share with domestically produced rice and is aiming to continue this trend. Depending on the strength of the Australian dollar this may reduce future imports.

Production for 2013/14 will be entirely dependent on the availability of water. An opening allocation was available for the 2012/13 crop prior to planting which is somewhat unusual. Winter rainfall will be required to re-charge water storages prior to allocations being made for the 2013/14 crop.

With current forecasts for neutral long term weather patterns the best estimate for the 2013/14 rice crop is for plantings of 110,000 hectares with average yields which would result in total rice production of 1.0MMT.

Rice, Milled Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	108	108	121	121		110
Beginning Stocks	27	27	60	61		84
Milled Production	678	678	800	778		720
Rough Production	942	942	1,111	1,081		1,000
Milling Rate (.9999)	7,200	7,200	7,200	7,200		7,200
MY Imports	130	131	90	100		110
TY Imports	130	132	90	100		110
TY Imp. from U.S.	0		0	0		0
Total Supply	835	836	950	939		914
MY Exports	450	450	500	500		520
TY Exports	450	450	500	500		520
Consumption and Residual	325	325	365	355		330
Ending Stocks	60	61	85	84		64
Total Distribution	835	836	950	939		914
1000 HA, 1000 MT, MT/HA						